



# NEWS TIMES

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## Treasurer: Indiana has opportunity amidst chaos

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When state treasurer Richard Mourdock spoke to the Hartford City Rotary Club on Monday night, he promised not to bore the audience by talking about his duties.

"Nothing puts people to sleep faster," Mourdock said. "Would you really like to hear about the use of hedge funds and absolute returns to maximize margins in investment earnings?"

Mourdock answered his own question by changing the subject to Senator David Ford. He went on to speak for about 35 minutes on a range of topics, from trade deficits, to the weakening U.S. dollar, to oil markets, employee-owned companies, historical politics and the lease on the Indiana Toll Road. He also used the occasion to brag a bit about how much better off Indiana is than its Midwestern neighbors. Not a single Rotarian nodded off.

Mourdock's most important task is to invest the state's funds wisely so as to maximize the interest the state earns. When questions at the end of his talk turned to his opinion on property taxes, he issued a strong disclaimer:

"I have absolutely zero to do with property taxes of any kind. Will there be a fix? Yes, I think so. Will it be the right one? I don't know."

Actually, Mourdock does have something to do with taxes. By wisely investing about \$8.5 billion for the state, he reduces the need for increased taxation.

Mourdock said Sen. David Ford, recently diagnosed with advanced cancer, is a friend of his.

"He is one of the absolute good guys in the Statehouse. I was personally very saddened by the announcement. David's a good friend," Mourdock said.

Mourdock next painted a picture of himself watching ships come and go last September at the mouth of the Columbia River.

"I saw large ships with the shipping containers we are all used to seeing. On the contain-

ers were Chinese characters, and Korean characters."

Mourdock said he could tell by the levels of the boats and how much water they displaced that the containers heading back were empty, an illustration he said, that the United States is not keeping up with the global economy.

"We import products we routinely used to make. Almost all of you are sitting there listening to me, wearing imported clothes. Almost certainly, everyone in the room is wearing imported shoes. One quarter of you will drive home in a car made by a foreign company. The dollar is weakening day after day," Mourdock said.

Mourdock ran down a list of discouraging economic signs he said gave him "the willies." For the first time in 34 years, the U.S. dollar is worth less than the Canadian dollar. For the first time since 1984, the Federal Reserve last week made an emergency rate cut of 3/4 points. Those over age 55 average only \$88,000 in savings, and Baby Boomers save less than they should. America is using more oil today than it was when Bush famously said the country was addicted to oil.

"What I see in the world oil markets right now is frightening. (Economist) Adam Smith must be spinning in his grave. Ten years ago, 15 years ago, US demand set world oil prices. Now it's China and India.

"They're developing capital. They're now buying motorcycles and little generators. As that middle class develops and starts buying four-cylinder cars, the price of oil will go up.

"In 18 months, it may be at \$200 a barrel, though a serious recession might prevent that. I'll bet you're wishing now you'd gone to a meeting of the Optimist Club," Mourdock joked.

Mourdock said his point in all the negativity was to point out that in chaos there is opportunity, and he believes Indiana is positioned much more opportunistically than any of its Midwest neighbors.

"We're the only state in the Midwest with a balanced budget...Michigan, not long ago,

was looking at shutting down state government (because of shortfalls.) Illinois had special session and legislators didn't show up," Mourdock said.

In Ohio, they're spending their \$5.5 billion tobacco settlement money to patch holes in the state budget, even though the money was earmarked for healthcare, Mourdock said.

"We're so far ahead of surrounding states it's incredible," the treasurer said.

Unemployment has gone down in Indiana, Mourdock said, and the economy is creating jobs. Indiana is the only state in the Midwest with a fully funded 10-year highway plan, and he has turned down speaking trips to Mexico, where they want to hear about the Toll Road lease, he said. The Toll Road lease has become an international model for public-private partnerships, Mourdock added.

Indiana is well positioned to find opportunity amidst chaotic world conditions, the treasurer said. He invoked "the Stockdale Paradox" named after Admiral Jim Stockdale who was the highest ranking U.S. military officer imprisoned in Vietnam.

Mourdock paraphrased Stockdale: "I never lost faith in the end of the story. I never doubted not only that I would get out, but also that I would prevail in the end and turn the experience into the defining event of my life, which, in retrospect, I would not trade."

Who didn't make it out? The optimists. They were the ones who said 'we're going to be out by Christmas.' And, Christmas would come and Christmas would go. Then they'd say, 'We're going to be out by Easter.' And Easter would come, and Easter would go. And then Thanksgiving,

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who said 'we're going to be out by Christmas.' And, Christmas would come and Christmas would go. Then they'd say, 'We're going to be out by Easter.' And Easter would come, and Easter would go. And then Thanksgiving, and then it would be Christmas again. And they would die of a broken heart.

"So I'm not negative. I'm just getting prepared," Mourdock said, before turning his speech to more positive things.

The biggest unreported story in Indiana, according to Mourdock, is a refinery in Whiting, Indiana, that is being re-tooled to handle thick mucky oil from tar sands. Western Canada will be sending the gunk through a pipeline to Indiana, where oil can be extracted.

"Indiana is leading the way not just in investment but in meeting new challenges, which in this case is 'How the heck do we get more oil,'" the treasurer said.

Mourdock said an Employee Stock Ownership Program (ESOP) put him where he is today, and he would like to see Indiana become a leader in ESOPs.

"They have a higher return on equity, they're safe, they're quicker to get products to market. And, there has never ever been an employee owned company that picked up and moved to Mexico.

Amongst other potential opportunities Mourdock sees are ethanol, for the short-term, and hydrogen fuel cell technology for the longer term.

"I would give a company 25 years of tax breaks if they were close to developing fuel cell technology," Mourdock proposed.

Mourdock spoke about the Governor Mitch Daniels' Major Moves project and its associated trust fund.

"The phenomenal thing is that in 116 days it earned more interest than they'd paid off in toll road debt in the last 54 years.

"What we have done in effect is fill some of those shipping containers," Mourdock said.